

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

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FISCAL IMPACT STATEMENT

LS 7543

BILL NUMBER: SB 507

NOTE PREPARED: Jan 10, 2011

BILL AMENDED:

SUBJECT: Township Government Matters.

FIRST AUTHOR: Sen. Glick

FIRST SPONSOR:

BILL STATUS: As Introduced

**FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill has the following provisions:

Township Board Compensation: The bill provides that after December 31, 2014, the total compensation and benefits paid to a township board member may not exceed \$5,000 per year.

Township Office Location: The bill specifies that each township office must include the address and phone number of the township office in at least one local telephone directory. It requires all township trustees (instead of only certain trustees) to maintain a telephone answering service and respond to a telephone inquiry for township assistance services not more than twenty-four (24) hours, excluding Saturdays, Sundays, and legal holidays, after receiving the inquiry. It also requires that a public meeting or a public hearing of a township legislative body must be held in a public place if one is available in the township.

Township Reporting: The bill specifies that the annual report of a township must be filed with the state board of accounts not later than March 1 of each fiscal year. The bill also requires the township board to adopt the township's standards for the issuance of township assistance not later than March 31 of each calendar year.

It provides that if the township board fails to adopt township standards for the two (2) calendar years preceding the ensuing calendar year: (1) the Department of Local Government Finance (DLGF) may not approve the township budget and levy; and (2) the township board members may not receive any salary until the standards for the ensuing calendar year are adopted. It also provides that if the township board adopts standards and the township trustee fails to file the township standards with the board of county commissioners for the two (2) years preceding the ensuing calendar year: (1) the DLGF may not approve the township's budget and levy; and (2) the township trustee may not receive any salary until the standards are

filed with the board of county commissioners.

Township Assistance: It provides that if a trustee does not: (1) accept a completed application for township assistance; or (2) grant or deny a completed application for township assistance within the period required by statute; the application is considered denied, and the denial may be appealed to the board of county commissioners. It provides that if a trustee does not: (1) accept a completed application for township assistance; or (2) grant or deny a completed application for township assistance within the period required by statute; the application is considered denied, and the denial may be appealed to the board of commissioners.

Office Space Rental: The bill provides that a township trustee may receive rental payments from the township for use of office space located in the trustee's private residence if the space is used for conducting official township business. It provides that a trustee may not receive rental payments for office space in the executive's personal residence at a square footage rate that exceeds the average square footage rate charged for comparable commercial office space. It requires the township trustee in the annual report to compare the square footage rate charged by the executive for rent of the office space in the executive's residence with the average square footage rate charged for comparable commercial office space in: (1) the township; or (2) the county seat of the county where the township is primarily located, if comparable commercial office space is not available in the township.

Nepotism: The bill provides that beginning January 1, 2015, in a township that has a population of at least 25,000, an individual: (1) who makes \$10,000 or more annual salary from the township; and (2) is an immediate family member of an officer or employee of a township; may not be employed by the township in a position in which the individual would have a direct supervisory or subordinate relationship with the officer or employee who is the individual's immediate family member. It also provides that an employee of a township that violates the nepotism provision does not have to be terminated from any position held by that individual before January 1, 2011.

Effective Date: July 1, 2011.

Explanation of State Expenditures: *Penalty Provision:* A township trustee would be subject to being convicted for perjury, a Class D felony, for falsely certifying that the township board has adopted township assistance standards and that the standards were filed with the county commissioners. A Class D felony is punishable by a prison term ranging from six months to three years or reduction to Class A misdemeanor depending upon mitigating and aggravating circumstances. Assuming offenders can be housed in existing facilities with no additional staff, the marginal cost for medical care, food, and clothing is approximately \$4,818 annually, or \$13.20 daily, per prisoner. However, any additional expenditures are likely to be small. The average length of stay in Department of Correction (DOC) facilities for all Class D felony offenders is approximately ten months.

Explanation of State Revenues: *Financial Report Reporting Date:* Every local government unit, entity, or instrumentality is required to submit a financial report to the State Examiner. The penalty for failing to make, verify, and file with the State Examiner is a Class B infraction and forfeiture of office. The date for a township making the report changes from 60 days after the end of the fiscal year to March 1 of each fiscal year under the bill.

There are no data to indicate how the date change will impact the number of reports outstanding. The maximum judgment for a Class B infraction is \$1,000, which would be deposited in the state General Fund.

Penalty Provision: If additional court cases occur and fines are collected, revenue to both the Common School Fund (from criminal fines) and the state General Fund (from court fees) would increase. The maximum fine for a Class D felony is \$10,000. However, any additional revenues would likely be small.

Background - Financial Reporting Date: Currently, the SBOA prepares an annual report concerning the townships using information provided to the SBOA by the township trustee. However, the SBOA indicates that 100 townships (10%) did not file the required 2009 report. The SBOA also prepares a biennial examination report of the townships

Explanation of Local Expenditures: The bill will have indeterminate fiscal impact on township and municipal government with some provisions potentially adding cost and other potentially creating cost-savings.

Nepotism: The nepotism prohibitions could impact costs of the 57 townships to which the provision applies, if employees must be terminated or reassigned. Additionally, compensation costs could be impacted in cases where family members are providing services at a different rate than their replacements.

Township Office Location: The requirement for a telephone answering service may minimally increase costs, as may the requirement to list each expenditure reimbursing an executive for use of the executive's private residence and making comparisons between the square footage cost and that of commercial property within the township or the county seat. Adopting annual standards for township assistance will add minimal costs as well.

Township Assistance: Additional appeals may be made to the county board of commissioners if applications not acted on by the township trustee within the 72-hour time period for emergency applications are considered denied by function of law. This could increase the costs for hearings at the county-level, depending on the number of residents denied township assistance under this provision.

Township Board Member Compensation: The bill could result in cost-savings for certain townships where township board members are paid more than \$5,000 annually beginning 2015. [With data available from 563 townships, the median salary for a township board member is \$550, ranging from \$100 to \$15,750. There are 15 townships where the township board member salary exceeds \$5,000.]

Office Space Rental: Additionally, the amount of rent paid for office space in executive's residences could decrease, if the township has been paying more than the cost of comparable commercial space. [There are no data available to indicate how many townships would be effected by this change.]

Penalty Provision: If more offenders could be detain in county jails prior to trial, costs for incarceration could increase for county jails. The average daily cost for incarceration in a county jails is \$44.

Explanation of Local Revenues: *Township Reporting:* The annual appropriation and annual tax levy for a township may be affected by the bill, if the township board fails to adopt township assistance standards or a township trustee fails to file two copies of the budget with the county auditor. In such a situation, the township's annual appropriation and annual tax levy may not be approved affecting the operations of the township.

If additional court actions occur and a guilty verdict is entered, local governments would receive revenue from court fees. However, the amounts would likely be small.

State Agencies Affected: DLGF, SBOA.

Local Agencies Affected: Townships.

Information Sources: Bruce Hartman, State Examiner, 2009 Township Annual Reports available through www.in.gov/itp.

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